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**USTR ANNOUNCES STEPS ON ACCESS TO JAPAN'S PAPER MARKET**

United States Trade Representative Charlene Barshefsky expressed concern today about the market access problems that U.S. paper and paperboard producers continue to face in Japan, and called upon the Government of Japan to undertake effective measures to deal with these problems.

“With import penetration far below that of any other industrialized country, access to Japan’s paper market remains inadequate,” said Ambassador Barshefsky. “We will be working closely with U.S. paper producers to assess in detail the position of foreign paper companies and market access barriers they continue to face in Japan.”

The United States Government is undertaking the steps outlined below:

- USTR has urged the Government of Japan to encourage paper users and distributors in Japan to develop and actively implement open procurement programs for paper and paperboard products which will guarantee equal, non-discriminatory access to foreign producers, as well as to adopt effective antimonopoly act compliance programs;
- USTR will carefully review import trends in Japan of paper and paperboard products;
- the United States Government will work with the U.S. paper and paperboard industry in its export promotion efforts in Japan, and will continue to seek Government of Japan cooperation and assistance with such efforts;
- USTR has requested U.S. industry to work closely with it to assess market conditions and trade barriers in this sector in Japan by August, 1997;

- USTR has indicated its willingness to work with the Government of Japan in a constructive manner to reach an acceptable arrangement in this sector, and urged the Government of Japan to respond constructively to its March 21 proposal.

## **BACKGROUND**

Market access for foreign paper and paperboard products in Japan has not increased substantially as stipulated in the April 5, 1992 bilateral agreement which just expired. USTR had earlier expressed concern to the Government of Japan that the 1992 bilateral Paper Agreement, which stemmed from the Structural Impediments Initiative and was negotiated prior to the Framework agreement, was not meeting its objective. The Administration also reported these concerns in Super 301 reports to the Congress.

In 1992 Japan acknowledged that its market was not sufficiently open to imports. Japan's import penetration for relevant products at that time was 3.7 percent, compared to the range of 15-80 percent for other OECD countries. Between 1995 and 1996 Japan's import penetration increased from 4.2 to 5.1 percent, with imports up only 242,000 tons in a 30 million ton market. Even this small increase may not be sustained in face of a projected 1.25 million ton increase in Japanese production capacity.

On March 21, the United States put forward a proposal for a focused work program designed to improve conditions for market access in this sector. Increased import competition in this sector in Japan will benefit Japanese paper and paperboard users, and help make the Japanese paper industry more internationally competitive.

Many U.S. paper companies have been active in Japan for many years and have made a positive contribution to the Japanese economy. U.S. global exports of paper grew from 7.48 to 9.24 million tons between 1995 and 1996. By contrast, U.S. paper and paperboard exports to Japan are only 220,000 tons. In 1996 the U.S. paper and paperboard industry employed 700,000 workers in the United States and exported over \$20 billion of paper and paperboard.